

NEW YORK CITIZENS' COMMITTEE ON AGING, INC.

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December 16, 1997

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Ms. Cynthia L. Johnson, Director
Cash Management Policy and Planning Division
Financial Management Service
United States Department of the Treasury
401 14th Street, S.W., Room 420
Washington, D. C. 20227

Re: Proposed 31 CFR Part 208

Dear Ms. Johnson:

We are responding to your Proposed Rules with respect to Electronic Transfers of Federal benefits scheduled to go into effect in January 1999.

The New York Citizens' Committee on Aging is the longest-standing advocacy group for older persons in New York City. We were in existence before Medicare and Medicaid, SSI and even the Poverty program. The Committee is made up of a diverse group of organizations serving older persons in New York City, including (but not limited to) the voluntary and governmental sectors of service providers, community groups, organizations of older persons, business and labor groups. Our primary focus is the well-being of the older consumer in New York City.

To the best of our recollection, the Public Hearing held by your Department in New York in October on the Electronic Transfer issue is the first Treasury Department Hearing of this kind that we have been advised about. For a variety of reasons, it was not practical for us to testify at that Hearing. We are eager for our positions to be on the record. Thus we are taking this opportunity to address these issues as we see them.

Firstly, we congratulate the Department on the New York City Hearing. We sincerely hope that there will be more of these in the City relating to this and other issues in which the Department is involved. Obviously, they should be in other urban, suburban and rural areas as well.

Secondly, as an organization that has been involved in the local coalition around Banking issues, we appreciate the problems faced by older and disabled persons in the management of their assets. In New

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York City, this concern has been exacerbated recently by a major Bank merger, which has resulted in significant reductions in the number of Branches available to marginal populations in which to do their Banking. As an example, in a five block radius from our office (in a middle class neighborhood), we can point to the loss of five Bank branches in the past several years. While this produces mild inconveniences for those of us who are able-bodied, it must be devastating for those who are less fortunate. The evidence suggests that it is even worse in lower income neighborhoods.

Fortunately, we have access to a State Department of Banks which has at least seen fit to meet with community groups to consider what can be done to alleviate the problems caused by less Bank access and to anticipate the problems to be caused by the implementation of the Federal law mandating electronic transfer of virtually all Federal benefits, to begin in 1999. Even the State Banking Department, however, has some practical limitations on how far they can pursue the practice of the Banks they supervise, when it comes to questions of Branch location, outstationed ATMs, etc.

Our primary concern is for the "unbanked" population of older and disabled persons, who have one or more Bank-related problems, i.e., their physical inability to have easy Bank access, their inability to maintain minimum Bank balances, with respect to the application of Bank charges, and also, in some cases, a lack of sophistication concerning Bank relationships. In view of the difficulty in overcoming these barriers to the successful implementation of EDT, we are fortunate to have some time before the Federal mandates go into effect.

Having said that, we certainly need Federal, State and local governmental cooperation in urging Banks to lean over backwards to understand the problems of the most disadvantaged of their new customers, and to offer alternatives to direct transfer in extreme situations. While we, along with other non-profit organizations, have a responsibility to work on the educational component of the problem, the public sector must play the major role, beginning with the Department of the Treasury.

Recommendations: Given the above comments, we would like to offer the following suggestions for your consideration before the final Rules are put into place:

1. In view of the windfall that the new law is likely to visit on financial institutions (one senior member of Congress suggested \$7 billion per month!), it does not seem too much to ask that low income elderly and disabled persons that need to have Bank

accounts be accorded fee-free service.

2. Within those accounts, depositors should be allowed to have unlimited deposits without charge and at least 10 free checks per month, with nominal charges for all checks above that number. Minimum balances should not be required of this population.
3. While your proposed Rules mercifully make allowance for waivers from the Electronic Transfer for reasons of financial hardship, physical disability and geographic access, we are concerned that, without a strong community presence by the Department and other echelons of government, the ability of many people to understand and carry out the application for waiver process may be lost. We urge the Department's attention to the need for community-based efforts to make certain that the options are fully understood by the least sophisticated governmental beneficiary. In the absence of the Department at the neighborhood level, this may mean the need for grants to community-based organizations and/or lower echelons of government.
4. Our attention has been called to the fact that there are apparently no specific provisions for "hardship" being established for reasons of inability to comprehend and write in English, and for reasons of mental disability. We urge that these rationales be incorporated into the final Rules.
5. As we understand it, waivers for those with existing Electronic Transfer Accounts will only be honored if those accounts were opened by July 26, 1996. We believe this in itself could create a hardship for some depositors and urge that anyone qualifying for the waiver on the basis of the issues discussed above should be waiver-eligible if any of those hardship features apply to them, even if they have a pre-existing Transfer account.
6. With respect to the problem of unserved geographic areas, a request to the Banking Department in our State reveals that the impact of the Bank mergers noted above on the number and locality of Bank branches is not yet known to the Department. They have promised, however, to have such information available in the near future. Provision should be made in the Regulations for ongoing concern for uncovered areas. The Department, working with the various State governmental Banking supervising

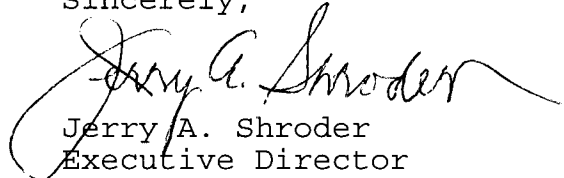
units, should be prepared to monitor this and to use the language of the new statute to encourage appropriate financial institutions to move into areas they may have chosen not to serve for other reasons.

7. It is not clear to us how the Transfer Accounts are to be established. It suggests that the Department might want to consider the same kind of Hearing structure used on these Rules to obtain local input with respect to Account design. We urge that the Department actively consider this or some comparable mechanism for obtaining the input of those concerned about this process.

There are other matters of concern within the Department's Proposed Rules. We have not addressed such issues as the possible role of check-cashing services, the use of representative payees and some other issues. We are, however, prepared to cooperate with the Department and others in the ongoing administration of the statute which provoked the current discussion. In years past, we were involved with both a "Medicare Alert" and an "SSI Alert", in which we specifically carried on the kind of neighborhood-based education service suggested above as being a sine qua non for this program.

Thank you for the opportunity to submit our thoughts for the record.

Sincerely,



Jerry A. Shroder
Executive Director